

BEFORE ALLAN L. MCVEY, INSURANCE COMMISSIONER
OF THE STATE OF WEST VIRGINIA

In the Matter of:

FARMERS MUTUAL INSURANCE COMPANY

Administrative Proceeding No. 20-MC-STAT-02005

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER ADOPTING
REPORT OF MARKET CONDUCT EXAMINATION

NOW COMES, Allan L. McVey, Insurance Commissioner of the State of West Virginia (hereinafter, “Commissioner”), who, after consideration of the *Report of Market Conduct Examination* (hereinafter, the “*Examination Report*”) of Farmers Mutual Insurance Company (hereinafter, “Farmers”) for the examination period ending March 31, 2021, made the following findings of fact and conclusions of law and order.

FINDINGS OF FACT

1. The market conduct examination focused on select standards contained in the *Market Regulation Handbook*. The examination was conducted in accordance with *W. Va. Code* §33-2-9(c) by examiners duly appointed by the Commissioner. The examination fieldwork began on July 1, 2021 and concluded on October 18, 2021.
2. On or about November 1, 2021, the examiner filed with the Commissioner, pursuant to *W. Va. Code* §33-2-9, the *Examination Report*.
3. A true copy of the *Examination Report* was provided to Farmers and Farmers was notified, pursuant to *W. Va. Code* §33-2-9(j)(2), that it could file a submission or rebuttal with the

Commissioner. Farmers acknowledged receipt of the *Examination Report* and stated it had no issues with the report.

4. As set forth in the *Examination Report*, the examination focused on the methods used by Farmers to manage its operations for each of the areas examined, including whether and how Farmers complies with West Virginia's statutory and regulatory law.

5. The exam did not discover any instances where Farmers was non-compliant with West Virginia law.

6. The Commissioner reviewed the *Examination Report* prior to issuing these findings of fact, conclusions of law and order.

CONCLUSIONS OF LAW

1. The Commissioner has jurisdiction over the subject matter and the parties to this proceeding.

2. This proceeding is conducted pursuant to and in accordance with *W. Va. Code* §33-2-9.

3. The Commissioner is charged with the responsibility of verifying Farmers' continued compliance with West Virginia law.


4. As detailed in the *Examination Report*, Farmers was compliant or predominantly compliant with all twenty-four (24) standards reviewed.

ORDER

Pursuant to *W. Va. Code* §33-2-9(j)(3)(A), following the review of the *Examination Report*, the examination work papers, and Farmers' response thereto, it is **ORDERED** as follows:

1. The referenced and attached *Examination Report* is hereby **ADOPTED** and **APPROVED** and by this reference, incorporated herein and made a part hereof; and
2. Farmers shall continue to monitor its compliance with applicable West Virginia law.
3. In accordance with *W. Va. Code* §33-2-9(j)(4), within thirty (30) days Farmers shall file with the Commissioner, affidavits executed by each of its directors stating under oath that they have received a copy of the *Examination Report* adopted and a copy of this Order.

Entered this 17th day of December, 2021.


ALLAN L. MCVEY
Insurance Commissioner
State of West Virginia

Report of Market Conduct Examination

As of March 31, 2021



Farmers Mutual Insurance Company

40 Moran Circle
White Hall, WV 26554-8987

NAIC COMPANY CODE 40070
Examination Number 20-REG-02208

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November 1, 2021

The Honorable Allan L. McVey, CPCU, ARM, AAI, AAM, AIS
West Virginia Insurance Commissioner
900 Pennsylvania Avenue
Charleston, West Virginia 25302

Dear Commissioner McVey:

Pursuant to your instructions and in accordance with *W.Va. Code §33-2-9*, an examination has been made as of March 31, 2021 of the business affairs of:

Farmers Mutual Insurance Company
40 Moran Circle
White Hall, WV 26554-8987

Hereinafter referred to as the "Company." The following report of the findings of this examination is herewith respectfully submitted.

COMPLIANCE WITH PREVIOUS EXAMINATION RECOMMENDATIONS

The West Virginia Office of the Insurance Commissioner (“WVOIC”) previously conducted a comprehensive market conduct examination of the Company as of December 31, 2016.

The December 31, 2016 examination findings included:

Standard A7: Records are adequate, accessible, consistent and orderly and comply with state record retention. Under two (2) policies for personal lines new business, the Company’s InskoDotNet system did not document the producer of record. As such, the producer completing the transaction could not be verified by the examiner. The Company has procedures in place whereby the agency is required to keep hard copies of the application signature page and were therefore able to confirm the producer involved in the transaction under both policies.

The previous recommendation for Standard A7 has been addressed and no subsequent failure was found as the Company implemented a change in the quoting system making the producer field a requirement prior to submission of new business.

PURPOSE AND SCOPE OF THE EXAMINATION

Market Conduct Examiners with the WVOIC reviewed certain business practices of Farmers Mutual Insurance Company. W. Va. Code §33-2-9 empowers the Commissioner to examine any entity engaged in the business of insurance. The findings in this report, including all work products developed in producing it, are the sole property of the WVOIC.

The purpose of this market conduct examination was to determine the Company’s compliance with West Virginia laws and regulations and is part of a combined examination being performed in conjunction with our Financial Conditions Division. Separate reports will be issued accordingly. This examination is not intended to duplicate a review of the Company’s Operations and Management but rather establish an understanding of the examinee and, except for the standards specifically mentioned in this report, will rely on the results obtained by our Financial Conditions Division (Reference Numbers: 40070-WV-2019-5). The conclusions and findings of this market conduct examination are public record.

The examiners may not have discovered every unacceptable or non-compliant activity in which the Company is engaged. The failure to identify, comment on, or criticize specific Company practices does not constitute an acceptance of the practices by the West Virginia Offices of the Insurance Commissioner or its’ designee.

The basic business areas that were reviewed and tested under this examination were:

- Operations and Management
- Complaint Handling
- Producer Licensing
- Policyholder Service
- Underwriting and Rating
- Claims

“WVOIC” as used herein refers to the West Virginia Offices of the Insurance Commissioner. “W.Va. Code R.” as used herein refers to the West Virginia Code of State Rules. “W.Va. Code” as used herein refers to the West Virginia Code Annotated.

EXECUTIVE SUMMARY

The examination fieldwork began July 1, 2021, and concluded on October 18, 2021. The entirety of the examination was performed remotely, with the Company providing examiners access to its Inco.Net and ImageRight systems which houses its company records, files, notes, and documentation. A total of twenty-four (24) standards were reviewed during this examination. Of these twenty-four (24) standards, the Company was compliant in twenty-two (22) and predominantly compliant in two (2) standards (F1 and G9).

No standard failure was found during the review; however, the areas of concern are listed below:

- Standard F1 – One (1) Commercial New Business policy reviewed was charged more than the amount specified in the Underwriting Guidelines for Equipment Breakdown Coverage. This is a violation of W. Va. Code §33-11-4(7)(c). *Note: Corrective action was taken during the examination to return the premiums to affected policyholders.*
- Standard G9: One (1) denied commercial claim did not provide specific language in the notice which should have detailed the claimant’s option of contacting the Commissioner and the Commissioners’ contact information which is required per W.Va. Code R. §114-14-6.17.

The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business according to the West Virginia insurance laws and regulations.

HISTORY AND PROFILE

Farmers Mutual Insurance Company was incorporated under the laws of West Virginia on July 25, 1905, as the Farmers Mutual Fire Association of West Virginia. It commenced operations on January 26, 1906; on January 1, 1991, the company adopted its current title of Farmers Mutual Insurance Company. The Company operates under the provisions of Chapter 33, Article 22 of the West Virginia Code as a farmers’ mutual fire insurance company and is currently located in Marion County at 40 Moran Circle in White Hall, West Virginia.

The Company writes personal lines products under its homeowners, dwelling fire and mobile-homeowners programs, which also includes programs for mobile homes manufactured prior to 1980, renter’s coverage for contents and dwelling fire and seasonal property programs. The Company also writes commercial lines of insurance including churches, small business owners, small contractors, and other commercial risks. They also provide a specialty insurance program for small farmowners.

According to the National Associate of Insurance Commissioners (“NAIC”) 2020 Market Analysis – Market Share Report, the Company had \$2,144,823 in written premiums and a Market Share of 0.45% in the state of West Virginia for Homeowners Insurance, \$1,081,434 in written premiums and a Market Share of 0.30% in the state of West Virginia for Commercial Liability Insurance, and \$1,165,191 in written premiums and a Market Share of 0.50% in the state of West Virginia for Commercial Property Insurance.

METHODOLOGY

The examination was conducted in accordance with the standards and procedures established by the NAIC and West Virginia's applicable statutes and regulations. This is a report by test of company compliance with selected Standards contained in the *NAIC's 2020 Market Regulation Handbook* ("Handbook") and Standards approved by the WVOIC which are based on applicable West Virginia statutes and administrative rules, as referenced herein. Testing is based on guidelines contained in the Handbook. All tests applied are included in this report.

Tests designed to measure the level of compliance with West Virginia's statutes, rules and regulations were applied to the files. Each area of the examination has specific elements that were tested and are listed below.

The examiners used the NAIC standards of 7% error ratio on claims tests (93% compliance rate) and 10% error ratio on all other tests (90% compliance rate) to determine whether or not an apparent pattern or practice of being compliant or non-compliant existed for any given test. Except as otherwise noted, tests were conducted via random sample taken from a given population where applicable. In the results tables a "pass" response indicated compliance and a "fail" response indicates a failure to comply. The results of each test applied to a sample are reported separately.

STANDARD & REVIEW ELEMENTS

A. Operations and Management

The operations and management portion of the examination is designed to provide a view of the Company and how it operates. As mentioned previously, this review is not intended to duplicate a review of the Company's Operations and Management being conducted by our Financial Conditions Division but rather establish an understanding of the examinee.

Standard A7: Records are adequate, accessible, consistent and orderly and comply with state record retention requirements. (2020 NAIC Market Regulation Handbook Chapter 20, § A Standard 7)

- Are the records adequate and accessible? [W. Va. Code §33-2-9 and W. Va. Code R. §114-15-4]

Standard A9: The regulated entity cooperates on a timely basis with examiners performing the examinations. (2020 NAIC Market Regulation Handbook Chapter 20, § A Standard 9)

- Did the Company provide records and cooperate with examiners on a timely basis? [W. Va. Code §33-2-9 and W. Va. Code R. §114-15-4.9(a)]

B. Complaint Handling

The NAIC definition of a complaint is "any written communication that expresses dissatisfaction with a specific person or entity subject to regulation under the state's insurance laws. An oral communication, which is subsequently converted to a written form, would meet the definition of a complaint for this

purpose.” The complaint handling portion of the exam is designed to allow the examiner to assess the regulated entity’s procedures for processing consumer or other related complaints.

Standard B1: All complaints are recorded in the required format on the regulated entity’s complaint register. (2020 NAIC Market Regulation Handbook Chapter 20, § B Standard 1)

- Is the Company recording all complaints, both directly from the consumer as well as the Commissioner’s office, in a regulated complaint register? [W. Va. Code §33-11-4(10) and W. Va. Code R. 114-15-4.6, 7 and 8]

Standard B2: The regulated entity has adequate complaint handling procedures in place and communicates such procedures to policyholders. (2020 NAIC Market Regulation Handbook Chapter 20, § B Standard 2)

- Does the Company have adequate complaint handling procedures in place Per W. Va. Code §33-11-4(10)?

Standard B4: The time frame within which the regulated entity responds to complaints is in accordance with applicable statutes, rules and regulations. (2020 NAIC Market Regulation Handbook Chapter 20, § B Standard 4)

- Is the Company responding to complaints within fifteen (15) Working days as required by W. Va. Code R. 114-14-5.2?

D. Producer Licensing

The producer licensing portion of the examination is designed to test the Company’s compliance with state producer licensing laws and rules.

Standard D1: Regulated entity records of licensed and appointed (if applicable) producers and in jurisdictions where applicable, licensed company or contracted independent adjusters agree with department of insurance records. (2020 NAIC Market Regulation Handbook Chapter 20, § D Standard 1)

- Are the Company’s producer licensing/ appointment records maintained per W.Va. Code R. §114-15-4.5?
- Do the Company’s producer appointment records agree with the WVOIC records?

Standard D2: The producers are properly licensed and appointed and have appropriate continuing education (if required by state law) in the jurisdiction where the application was taken. (2020 NAIC Market Regulation Handbook Chapter 20, § D Standard 2)

- Are the producers properly appointed for business solicited in West Virginia? [W. Va. Code §33-12-3(d) and W. Va. Code §33-12-18]
- Does the Company appoint the producer within fifteen (15) days of the date the producer submits their first application to the Company? [W. Va. Code §33-12-18(b)]
- Are all applications signed by properly licensed and appointed agents? [W. Va. Code §33-12-3]

Standard D3: Termination of producers complies with applicable standards, rules and regulations regarding notification to the producer and notification to the state, if applicable. (2020 NAIC Market Regulation Handbook Chapter 20, § D Standard 3)

- Does the Company notify the Commissioner's Office (on a form prescribed by the WVOIC) within thirty (30) days of terminating the producer's authority? [W. Va. Code §33-12-25 et seq.]
- Is the producer notified simultaneously? [W. Va. Code §33-12-25(d)]
- Does the Company notify the Commissioner's Office if the termination is for cause? [W. Va. Code §33-12-25(a)]

Standard D4: The Company's policy of producer appointments and terminations does not result in unfair discrimination against policyholders. (2020 NAIC Market Regulation Handbook Chapter 20, § D Standard 4)

- Does the appointment or termination of producers result in unfair discrimination against policyholders?
- Does the termination leave any territories understaffed?

Standard D5: Records of terminated producers adequately document reasons for termination. (2020 NAIC Market Regulation Handbook Chapter 20, § D Standard 5)

- Do company records document reason for producer termination? [W. Va. Code §33-12-25(a) & (b)]

E. Policyholder Service

The policyholder service portion of the examination is designed to test if the Company is compliant with statutes regarding notice/billing, delays/no response, premium refund, and coverage questions.

Standard E1: Premium notices and billing notices are sent out with an adequate amount of advance notice. (2020 NAIC Market Regulation Handbook Chapter 20, § E Standard 1)

- Were renewal billing notices sent out in accordance with company guidelines?
- Were premium notices sent out for endorsement timely, not at policy expiration?

Standard E2: Policy issuance and insured requested cancellations are timely. (2020 NAIC Market Regulation Handbook Chapter 20, § E Standard 2)

- Was the policy issued timely?
- Were insured requested cancellations processed timely and without excessive paperwork required?

Standard E7: Unearned premiums are correctly calculated and returned to the appropriate party in a timely manner and in accordance with applicable statutes, rules and regulations. (2020 NAIC Market Regulation Handbook Chapter 20, § E Standard 7)

- Are unearned premiums calculated correctly?

F. Underwriting and Rating

The underwriting and rating portion of the examination is designed to provide a view of how the Company treats the public and whether that treatment is in compliance with applicable statutes, rules and regulations.

Standard F1: The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the regulated entity's rating plan. (2020 NAIC Market Regulation Handbook Chapter 20, § F Standard 1)

- Was the premium calculated correctly? [W. Va. Code §33-11-4(7)(c)]
- Were the Company's own underwriting guidelines followed for proper rating?
Note: Farmers Mutual Fire Insurance Companies are not required to file rates with the Commissioner's Office; however, rates should not be unfairly discriminatory. Deviations from established rating plans could indicate a company is engaged in unfair competitive practices.

Standard F4: The regulated entity's underwriting practices are not unfairly discriminatory. The regulated entity adheres to applicable statutes, rules and regulations, and regulated entity guidelines in the selection of risks. (2020 NAIC Market Regulation Handbook Chapter 20, § F Standard 4)

- Are the Company's underwriting guidelines unfairly discriminatory in nature? Or do they conform to applicable statutes, rules and regulations? [W. Va. Code §33-11-4(7)(c)]
- Is the Company following its underwriting guidelines to ensure compliance regarding unfair discrimination?
- Any inconsistent underwriting practices?

Standard F5: All forms, including policies, contracts, riders, amendments, endorsement forms and certificates are filed with the insurance department, if applicable. (2020 NAIC Market Regulation Handbook Chapter 20, § F Standard 5)

- Have all the forms and endorsements been filed with the Commissioner? [W. Va. Code §33-6-8 and W. Va. Code §33-22-7(a)]

Standard F6 - Policies, contracts, riders, amendments and endorsements are issued or renewed accurately, timely and completely. (2020 NAIC Market Regulation Handbook Chapter 20, § F Standard 6) *Policy issuance reviewed under Standard E2.*

- Are renewals and endorsements issued in the appropriate time frame, following the Company's procedures?
Note: Farmers Mutual Fire Insurance Companies are not subject to W.Va. Code §33-17A-4 (c); however, they are subject to W.Va. Code §33-11-4. Consistently following company procedures is the fundamental technique used to avoid unfair trade practices.

Standard F8: Cancellation/non-renewal, discontinuance and declination notices comply with policy and contract provisions, state laws and company guidelines. (2020 NAIC Market Regulation Handbook Chapter 20, § F Standard 8)

- Were company-initiated cancellations and non-renewals within applicable statutes and policy provisions? [W.Va. Code §33-22-15]
- Was written cancellation notice given to the policyholder? [W.Va. Code §33-22-14]

G. Claims

This portion of the examination is designed to provide a view of how the Company treats claimants and whether that treatment is compliant with applicable statutes and rules.

Standard G1: Initial contact by the regulated entity with the claimant is within the required time frame. (2020 NAIC Market Regulation Handbook Chapter 20, § G Standard 1)

- Was the claimant contacted within 15 working days (or mandated emergency order timeframe) from the date of the loss notice required by W.Va. Code § 33-11-4(9)(b) and W. Va. Code R. § 114-14-5.1?

Standard G2: Timely investigations are conducted. (2020 NAIC Market Regulation Handbook Chapter 20, § G Standard 2)

- Did the investigation commence within fifteen (15) working days of any claim filed as required by W. Va. Code § 33-11-4(9)(c) and W. Va. Code R. § 114-14-6.2.a?
- Did the investigation continue more than 30 calendar days? If so, was a notice of necessary delay sent within 15 working days after the 30 calendar days AND if the investigation continued, were subsequent notices of necessary delay sent with 45 calendar days as required by W. Va. Code R. § 114-14-6.7?

Standard G3: Claims are resolved in a timely manner. (2020 NAIC Market Regulation Handbook Chapter 20, § G Standard 3)

- Did the Company affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed as required by W. Va. Code § 33-11-4(9)(e)?
- Did the Company deny the claim or make an offer within ten (10) working days of completing its investigation as required by W. Va. Code R. § 114-14-6.3?
- Did the Company pay out amount agreed upon within (15) working days as required by W. Va. Code R. §114-14-6.11?

Standard G5: Claim files are adequately documented. (2020 NAIC Market Regulation Handbook Chapter 20, § G Standard 5)

- Do the files contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed? [W. Va. Code §33-11-4(9) et. seq, W. Va. Code R. §§ 114-14-3 & 114-15-4.4]

Standard G6: Claims are properly handled according with policy provisions and applicable statutes, rules and regulations. (2020 NAIC Market Regulation Handbook Chapter 20, § G Standard 6)

- Is the Company following the standards for prompt investigations as stated in W. Va. Code R. §114-14-6.1?
- Did the Company attempt in good faith to effectuate prompt, fair and equitable settlements of claims in which liability has become reasonably clear as required by W. Va. Code § 33-11-4(9)(f) and W. Va. Code R. §§ 114-14-6.4 & 6.10?
- Was coverage checked for proper application of deductible or appropriate exclusionary language as required by W. Va. Code § 33-11-4(9)(a)?
- When applicable is the claimant who is neither an attorney or represented by an attorney given written notice of that statute of limitation as required by W. Va. Code R. § 114-14-6.12?
- Does the Company ensure where liability and damages are reasonably clear, that no person recommends that third-party claimants make claim under their own policies solely to avoid paying claims under an insurer's insurance policy or insurance contract as required by W. Va. Code § 33-11-4(9)(m) and W. Va. Code R. § 114-14-6.13?

Standard G9: Denied and closed without payment claims are handled in accordance with policy provisions and state law. (2020 NAIC Market Regulation Handbook Chapter 20, § G Standard 9)

- Was a prompt, reasonable and objective investigation conducted prior to refusal of payment? [W. Va. Code §33-11-4(9)(d)]
- Is the denial based upon specific policy provisions or exclusions?
- Is the claimant provided with a reasonable basis for the denial when required by statute or regulation? [W. Va. Code §33-11-4(9)(n) and W. Va. Code R. §114-14-6.5]
- Is the claimant given the option of contacting the Commissioner's Office and provided with its mailing address, telephone number, and website address? [W. Va. Code R. §114-14-6.17]
- Is the claimant who is neither an attorney or represented by an attorney given written notice of the statute of limitation? [W. Va. Code R. §114-14-6.12]

COMPLIANCE TABLE

<u>Review Section</u>	<u># Pass</u>	<u># Fail</u>	<u>Minimum Standard Compliance %</u>	<u>Compliance Result %</u>	<u>Examination Result</u>		
					Compliant	Predominantly Compliant	Non-Compliant
A7	Pass	N/A	N/A	N/A	X		
A9	Pass	N/A	N/A	N/A	X		
B1	9	0	90	100	X		
B2	Pass	N/A	N/A	N/A	X		
B4	9	0	90	100	X		
D1	Pass	N/A	N/A	N/A	X		
D2	51	0	90	100	X		
D3	28	0	90	100	X		
D4	28	0	90	100	X		
D5	28	0	90	100	X		
E1	49	0	90	100	X		
E2	72	0	90	100	X		
E7	28	0	90	100	X		
F1	38	1	90	97.4		X	
F4	51	0	90	100	X		
F5	15	0	90	100	X		
F6	49	0	90	100	X		
F8	28	0	90	100	X		
G1	100	0	93	100	X		
G2	100	0	93	100	X		
G3	91	0	93	100	X		
G5	100	0	93	100	X		
G6	50	0	93	100	X		
G9	40	1	93	97.5		X	

OBSERVATIONS

A7 – All records reviewed were adequate, accessible, consistent, orderly, and comply with state record retention.

A9 – The Company's CEO and representatives were cooperative and responded to examiner's requests timely and accurately. Most requests were answered within 24 hours and any technical issues occurring during the review were addressed quickly. Both Personal Lines and Commercial Underwriters conducted Conferences Calls with the Examiner to give a high level overview of Underwriting Guidelines/ Procedures, and Company Systems used to house files, rates, and underwriting manuals.

B1- The Company is maintaining a complaint log for both direct and indirect complaints in accordance with the requirements of the Insurance Commissioner. The Company log reconciled with WVOIC records.

B2- The Company has adequate complaint handling procedures in place. Complaints are logged with the required information and assigned to the appropriate department for review and response within the allotted time. Files are scanned into the Company's ImageRight system and the log is kept up to date until a conclusion is reach.

B4- All Complaints reviewed were answered within 15 working days, most had responses dated the same day the complaint was received.

D1 – Producer records reviewed were adequately maintained and reconciled with WVOIC records.

D2 – Producers were properly appointed by the Company when new business policies were submitted.

D3 – Notification of Termination was sent to both the WVOIC and the terminated producer.

D4 – While reviewing the Company's producer files, examiner found no evidence that company terminations resulted in unfair discrimination. Most terminations occurred when agents left the agency.

D5 – Terminated producer records reviewed have adequate documentation showing the reason for termination. None were terminated for cause.

E1 – Policies reviewed had premium/billing notices sent out via the Company's procedures.

E2 – Polices reviewed were issued and canceled timely. Most new business policies were issued within a week of submission and the majority of the insured-requested cancellations were processed the same day the cancellation notice was received.

E7 – The Company processes cancellations on a pro-rata basis. Unearned premiums were calculated correctly and returned timely to the appropriate party.

F1 – One (1) Commercial New Business policy reviewed was charged more than the amount specified in the Underwriting Guidelines for Equipment Breakdown Coverage. The Company had taken immediate action to rectify the rating program issue that was identified and returned the premiums during the exam.

The Company identified an additional five (5) policyholders that resulted in a total overcharge of one thousand eight hundred thirty nine dollars (\$1,839.00) for all affected policyholders. This total amount of restitution was sent to all affected policyholders with appropriate interest calculated and included during the exam period. The examiner did not find any evidence that the rating program issue was intentional.

F4 – Examiner found no evidence of unfairly discriminatory underwriting practices during new business policy review.

F5 – Policy forms and endorsements reviewed were filed with and approved by the WVOIC.

F6 – The Company sent out renewals and endorsements timely and accurately per Company’s procedures.

F8 – The Company sent out written notice of cancellation/non-renewal at least five (5) days prior to the effective date. The Company was not required to document a valid reason for cancellation as it is not subject to W. Va. Code §33-17A-4; however, reasons were provided and found to not be unfairly discriminatory (W Va. Code §33-11-4(7)(c)).

G1 – All claim files reviewed indicated the claimant was contacted within fifteen (15) working days (or mandated emergency order timeframe) from the date of the loss notice.

G2 – The Company was found to be compliant with timely investigations. Most investigations began the same day the company was notified of loss and, when required, delay letters were sent out every 30-40 days until a settlement was reached.

G3 – The Company affirmed or denied coverage of claims within a reasonable time after proof of loss statements had been completed, denied the claims or made a written offer within ten (10) working days of completed investigation, and made timely payments on amounts agreed upon.

G5 –All claim files were adequately documented and consisted of notes and work papers pertaining to the claim in such detail that pertinent events and dates can be reconstructed.

G6 - The Company complied with policy provisions, applicable statutes, rules, and regulations under this standard. Investigations were prompt and thorough, settlements offered were fair and within policy limits and policy provisions, and third party claimants were not advised to file claims under their policy to avoid payment under the insurer’s policy.

G9 – One (1) denied commercial claim notice omitted the claimant’s option of contacting the Commissioner and the Commissioner’s contact information as required for all claim denial notices. *The Company advised the adjuster is aware of the requirement and believes it was a “copy and paste issue”.*

RECOMMENDATIONS

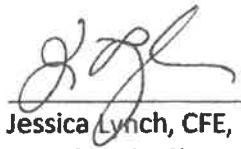
F1 – The Company calculates premiums according to its underwriting guidelines to ensure consistent and undiscriminating rating practices.

G9 – The Company ensure all denied claim notices include the required information for the claimant's option of contacting the Commissioner's office and the Commissioner's pertinent contact information as required by West Virginia statute.

EXAMINER'S SIGNATURE AND ACKNOWLEDGEMENT

The examiner would like to acknowledge the cooperation and assistance extended by the Company during the examination.

In addition to the undersigned, Jean E. Tincher, APIR, MCM with the WVOIC also participated in this examination.



Jessica Lynch, CFE, MCM
Examiner-in-Charge

EXAMINER'S AFFIDAVIT

State of West Virginia


County of Kanawha

**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND PROCEDURES
USED IN AN EXAMINATION**

I, Jessica Lynch, being duly sworn, states as follows:

1. I have the authority to represent West Virginia in the examination of Farmers Mutual Insurance Company.
2. I have reviewed the examination work papers and examination report, and the examination of Farmers Mutual Insurance Company was performed in a manner consistent with the standards and procedures required by West Virginia.

The affiant says nothing further.

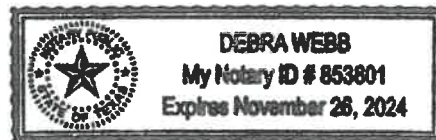


Jessica Lynch, CFE, MCM
Examiner-in-Charge

Subscribed and sworn before me by Jessica Lynch on this 11TH day of Nov, 2021.



Notary Public



My commission expires: 11-26-2024 (date).